

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 STR-07 (ISO) W

-----104886 130953Z /14

R 130836Z SEP 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1482

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EAID, EGEN, ASEAN, RP, JA

SUBJECT: MITI MINISTER KOMOTO VISITS MANILA, SEPTEMBER 7-9

REF: (A) MANILA 9326, (B) MANILA 11087, (C) MANILA 13227

1. SUMMARY. MITI MINISTER KOMOTO VISITED MANILA ON SEPTEMBER 7 TO 9 TO COMPLETE AN ASEAN TOUR WHICH HE BEGAN LAST MAY. HE ANNOUNCED A SEVENTH YEN LOAN PACKAGE OF 32.5 BILLION YEN, OFFERED GENERAL UNTYING OF JAPANESE AID, AND MADE AN ADDITIONAL OFFER OF 6 BILLION YEN FOR POWER BARGES AS WELL AS A LEASE-PURCHASE PROPOSAL FOR AIRCRAFT. VISIT WAS LOW KEY AND WENT SMOOTHLY, AND WHILE KOMOTO FURTHERED JAPANESE-PHILIPPINE RELATIONS, THE QUESTION REMAINS WHETHER HE FURTHERED HIS CAMPAIGN FOR THE PREMIERSHIP -- THE ORIGINAL OBJECTIVE OF HIS VISIT. END SUMMARY.

2. MINISTER OF INTERNATIONAL TRADE AND INDUSTRY TOSHIO

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KOMOTO VISITED MANILA ON SEPTEMBER 7 TO 9, COMPLETING A TOUR OF ASEAN COUNTRIES WHICH HE BEGAN LAST MAY AND WHICH HAS NOW BECOME A REQUIREMENT FOR JAPANESE POLITICIANS ASPIRING TO HIGHER POSITIONS AT HOME. KOMOTO WENT TO THE PRC IMMEDIATELY AFTER HIS MANILA STOP, BUT JAPANESE EMBASSY SOURCE HERE CONSIDERS HIM "A LONG SHOT" IN HIS QUEST FOR THE PREMIERSHIP.

3. KOMOTO MET WITH THE PRESIDENT WHO TENDERED A LUNCHEON IN HIS HONOR. HE ALSO HELD DISCUSSIONS WITH FINANCE MINISTER VIRATA, ENERGY MINISTER VELASCO, AND INDUSTRY MINISTER PATERNO, AND VICE MINISTER OF TRADE VALDEPENAS. HE TOURED THE LOCAL TOYOTA ASSEMBLER (DELTA MOTORS) AND HELD A PRESS CONFERENCE WHICH WAS REPORTED EXTENSIVELY IN THE ASIAN WALL STREET JOURNAL ON SEPTEMBER 12.

4. PRINCIPAL PIECE OF GOOD NEWS WHICH KOMOTO BROUGHT FOR HIS PHILIPPINE HOSTS WAS THE SEVENTH OECF LOAN PACKAGE WHICH IS THE LARGEST EVER AT 32.5 BILLION YEN. ALTHOUGH INTEREST RATE REMAINED AT 3.25 PERCENT, REPAYMENT WAS SOFTER AT 10 YEARS GRACE AND 20 YEARS TO REPAY. LAST YEN LOAN WAS EIGHT YEARS GRACE AND 17 TO REPAY.

5. IN ADDITION, KOMOTO CONVEYED GOJ OFFER OF AN ADDITIONAL 6 BILLION YEN IN THE FORM OF POWER BARGES INSTALLED ON TWO SURPLUS JAPANESE SHIPS. POWER BARGES WILL BE OF U.S. ORIGIN. OFFER COMBINES TWO JAPANESE SELF-INTERESTS: ADDITIONAL U.S. PROCUREMENT TO DRESS UP THE TRADE FIGURES AND ASSISTANCE TO THE DISTRESSED JAPANESE SHIPPING INDUSTRY (IN WHICH KOMOTO IS STILL AN OFFICER) KOMOTO TOLD THE PRESIDENT THAT THE GOP MUST ASK FOR THE POWER PLANTS BEFORE THE END OF SEPTEMBER. VELASCO WAS REPORTEDLY ENTHUSIASTIC, SINCE HE COULD USE THEM IN THE LIMITED OFFICIAL USE

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POWER-SHORT SOUTH, PARTICULARLY CEBU.

6. KOMOTO ALSO OFFERED AN AIRCRAFT LEASE-PURCHASE PACKAGE DESIGNED ESPECIALLY FOR THE THREE 747'S WHICH PAL ORDERED RECENTLY FROM BOEING FOR DELIVERY IN JANUARY AND FEBRUARY 1980. VIRATA IS REPORTED TO BE WILLING TO NEGOTIATE THIS.

7. MOST IMPORTANT DEVELOPMENT, FROM USG POINT OF VIEW, IS THAT GOP HAS FINALLY AGREED TO GENERAL UNTYING OF JAPANESE AID (EXCEPT FOR CONSULTANCY WHICH WILL STILL BE TIED TO JAPANESE SOURCE). JAPANESE EMBASSY IS NOW PREPARING A FORMAL OFFER IN A NOTE VERBALE AND EXPECTS AN AFFIRMATIVE PHILIPPINE RESPONSE IN RETURN. SEVENTH YEN LOAN WILL BE SIGNED IN OCTOBER, AS THERE ARE SEVERAL POINTS WHICH THE GOP HAS RAISED AND WHICH STILL NEED TO BE SORTED OUT, E.G., CARGO-SHARING PROVISIONS.

8. ON THE ASEAN INDUSTRIAL PROJECTS, KOMOTO REITERATED JAPANESE PLEDGE OF ONE BILLION DOLLARS AND ALSO STATED THAT THE PLEDGE EXTENDS TO ANY OTHER PROJECT WHICH HAS ASEAN ENDORSEMENT. REGARDING THE PHILIPPINE SUPER-

PHOSPHATE PROJECT, THE GOJ WILL SEND A FEASIBILITY MISSION IN NOVEMBER AS A FOLLOW-UP TO ITS PREFEASIBILITY STUDY WHICH WAS UNDERTAKEN TWO MONTHS AGO.

9. INDUSTRY MINISTER PATERNO BROUGHT FORWARD THE USUAL LIST OF PHILIPPINE INDUSTRIAL PROJECTS FOR JAPANESE CONSIDERATION: INTEGRATED STEEL MILL, DIESEL ENGINE MANUFACTURE (WE THOUGHT MARTEL BROTHERS AND LEYLAND HAD THE INSIDE TRACK), PETOCHEMICAL (THIS WAS THE ONLY ONE KOMOTO TURNED DOWN FLATLY ON GROUNDS GOJ ALREADY COMMITTED TO SINGAPORE PROJECT), AND COPPER SMELTER. ACTUALLY, LATTER PROJECT REFLECTS MORE JAPANESE INTEREST IN OBTAINING THE JOB ON A TURNKEY BASIS. JAPANESE CONSORTIUM LED BY

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MARUBENI, HOWEVER, HAS COME UP WITH A PACKAGE SOME 30 PERCENT MORE EXPENSIVE THAN THAT PLANNED BY ARTHUR G. MCKEE.

10. AT HIS PRESS CONFERENCE KOMOTO STATED HE "REQUESTED" PRESIDENT MARCOS TO "MAINTAIN AND IMPROVE THE INVESTMENT CLIMATE" IN THE PHILIPPINES. ALTHOUGH HE REFUSED TO BE SPECIFIC IN PUBLIC, KOMOTO REFLECTED LOCAL JAPANESE BUSINESS DISSATISFACTION WITH FREQUENT CHANGES IN PHILIPPINE REGULATIONS, PARTICULARLY PATENTS AND TAXES. TOUSSAINT

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